

VIP INDUSTRIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1) SCOPE AND PURPOSE OF THE POLICY

In order to safeguard the best interest of the Company and its Shareholders against a potential or actual conflict of interest and considering the requirements for approval of related party transactions. As prescribed under the Companies Act, 2013 ("Act") read with the Rules framed thereunder, Accounting Standard issued by the Institute of Chartered Accountants of India (AS 18) and Clause 49 of the Listing Agreement with Stock Exchanges as amended or re-enacted from time to time, the Board of Directors ("the Board") of V.I.P. Industries Limited ("VIP" or "the Company") has based on recommendations of the Audit Committee, formulated guidelines for identification of related parties and proper conduct and documentation of all related party transactions. In terms of requirement under clause 49 (vii)(c) of the the Listing Agreement VIP has framed this Policy on Related Party Transactions ("Policy"). Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company and amended / enacted from time to time.

3) DEFINITIONS:

3.1 Arms' Length Transactions: The expression "Arm's Length Transaction" shall mean:

- a) The transaction carried on between the Company and the Related Party on similar terms and conditions as of a unrelated party, including the price, etc. and
- b) Such price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income-tax Act, 1961.

3.2 Related Party: "Related Party" or "Related Parties" shall mean and include the following:

- the persons/ entities defined in Section 2(76) of the Act & rules framed thereunder including any circulars / notifications published in that behalf by Ministry of Corporate Affairs.
- the entities defined in the applicable accounting standards (AS 18).
- the following will, however, not be deemed Related Parties:
 - a. a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
 - b. the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):
 - (i) providers of finance;
 - (ii) trade unions;
 - (iii) public utilities;
 - (iv) government departments and government agencies including government sponsored bodies.

3.3 Relative: "Relative" in respect of the Company's Directors and Key Managerial Personnel shall mean and include the following:

- (i) Members of HUF
- (ii) Husband and wife
- (iii) Father, including step father

- (iv) Mother, including step mother
- (v) Son, including step son
- (vi) Son's Wife
- (vii) Daughter, including step daughter,
- (viii) Daughter's husband
- (ix) Brother, including step brother
- (x) Sister, including step sister

3.4 Related Party Transaction(s):

A Related Party Transaction(s) shall mean the transactions, contracts and arrangements prescribed in Section 188 of the Act, & Clause 49 and shall include a single transaction or a group of transactions in a contract. The following transactions shall, inter alia, qualify to be Related Party Transactions:

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) Such Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company

4. MATERIALITY THRESHOLDS

Clause 49 of the LA requires a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII)(C) of the LA.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Identification of Related Parties:

- a) Each Director, Key Managerial Personnel whenever wishes to enter into a Related Party Transaction with the Company involving either him/ her or his /her Relative, shall give a Notice to the Company along with all the relevant details and documents.
- b) Notice of any Related Party Transaction, referred to in Clause (a) above, shall be given well in advance so that the Company has adequate time to obtain additional information or document about the proposed Related Party Transaction, if necessary, which is required to be placed before the Audit Committee to enable it to approve the Related Party Transaction.
- c) i) Every Director, Key Managerial Personnel shall also make annual disclosures of his / her.
 - ii) List of Relatives as mentioned above.
 - iii) List of private companies where the Company's Director, Manager or his relative(s) is either a director or a member.
 - iv) List of firms where the Company's director or his relatives are partner.
 - v) List of Public companies in which any VIP's director is also a director and he, along with his/her relatives also holds more than 2% of the shareholdings.
- d) Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures mentioned in sub-clause c) above.

Identification of related party transactions

VIP has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement. VIP has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

6. DISCLOSURES

VIP shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction. In addition to the above, VIP shall also provide details of all related party transactions meeting the materiality threshold on a quarterly basis to the stock exchanges.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. Review and Approval of Related Party Transactions -

Approval by the Audit Committee:

- 8.1** The Company shall not enter into any Related Party Transactions with any Related Party without prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
- such approval shall be applicable in respect of transactions which are repetitive in nature.
 - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;
Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
 - Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year
- 8.2** The Notices received by the Company from the Directors, Key Managerial Personnel (as per clause 5 above) shall be forwarded to the Company Secretary with a direction to convene a meeting of the Audit Committee.
- 8.3** The Company Secretary shall convene the meeting of the Audit Committee, as directed, and shall place all the relevant information/documents relating to the proposed Related Party Transaction(s) before the Audit Committee, which interalia shall include:
- (a)** The name of the Related Party and nature of relationship;
 - (b)** The nature, duration and particulars of the contract or arrangement; such as business purpose of the transaction, the benefit of the contract or arrangement to the Company/Related Party etc.
 - (c)** The material terms and conditions of the contract or arrangement including the value, if any;
 - (d)** Any advance paid or received for the contract or arrangement, if any;
 - (e)** The manner of determining the pricing and other commercial terms, both included as part of contract and also not considered as part of the contract;
 - (f)** Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - (g)** Any other information relevant or important for the Audit Committee and/or Board of Directors to take a decision on the proposed Related Party Transaction.
- 8.4** The Audit Committee will consider the information/documents related to Related Party Transactions placed before it and either approve or reject the same on merit.

8.5 If any member of the Audit Committee is interested in any Related Party Transaction with a Related Party, such member shall not be present at the Audit Committee Meeting, neither during the discussions on the subject matter nor at the time of voting on the resolution relating to such Related Party Transaction.

Approval of the Board:

8.6 The following Related Party Transactions shall, after the approval of the Audit Committee, also be placed before the Board of Directors for its approval:

- Transactions not on arm's length.
- Transactions not in ordinary course of business.
- Material transactions.

8.7 The Board of Directors shall consider the information/documents placed before it and either approve or reject the proposed Related Party Transactions.

8.8 The Board of Directors shall also obtain approval of the shareholders by way of a Special Resolution for the approval of the Related Party Transactions.

8.9 The Board of Directors shall decide whether the approval of the Related Party Transactions by the shareholders shall be sought at the General Meeting or through Postal Ballot.

8.10 If the approval of the shareholders is proposed to be sought at the General Meeting, the Board of Directors shall fix the date of such General Meeting and shall also approve the Notice and the Explanatory Statement of the same. The Explanatory Statement to be attached to such Notice shall inter-alia include the following particulars:

- Name of the Related Party;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of the contract or arrangement'
- Any other information which is relevant to enable the shareholders to take an informed decision.

8.11 In case approval is proposed to be sought through Postal Ballot, the Board of Directors shall approve the Notice, Explanatory Statement and the Special Resolution proposed to be passed by the shareholders.

8.12 If any director is interested in any Related Party Transaction with the Related Party, he/she shall not be present at the Board Meeting, neither during the discussion on the subject matter, nor at the time of voting on the resolution relating to such Related Party Transaction.

Approval by Shareholders:

8.13 No transaction, contract or arrangement referred to in Clause 8.6 above shall be carried out/entered into with a Related Party, without the prior approval of the shareholders by way of a Special Resolution.

8.14 The Notice and Explanatory Statement for approval of the Related Party Transactions by the shareholders at a General Meeting or through a Postal Ballot:

- Shall be sent to the shareholders at least 21 (twenty one days) in advance, and;
- Shareholders shall be given option to cast their votes through e.voting.

8.15 No Related Party shall vote on such Special Resolution relating to any transaction, contract or arrangement which is proposed to be entered into by the Company, with such Related Party.

9. Ratification of Exceptional Cases:

9.1 Any transaction, contract or arrangement entered into by the Company with a Related Party, without obtaining the consent of the Board of Directors or approval of shareholders by a Special Resolution of the General Meeting, can in genuine cases be ratified by the Board of Directors or the shareholders at a General Meeting, as permitted in the Act.

9.2 If the approval sought from the Board of Directors and the shareholders is not granted, the transaction, contract or arrangement shall stand cancelled with immediate effect and the Director or the concerned employee shall be liable to indemnify the losses, if any, caused to the Company on account of the said Related Party Transaction.

9.3 For the purpose of indemnification of loss, it will be open for the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of the Act, for recovery.

10. Disclosures:

10.1 The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.

10.2 Every transaction, contract or arrangement entered into with Related Parties shall be referred to in the Report of the Board of Directors to the shareholders along with the justification for entering into such transaction, contract or arrangement.

10.3 Details of all material transactions with Related Parties shall be disclosed to the Stock Exchanges where the securities of the Company are listed, on quarterly basis along with the compliance report on corporate governance pursuant to Clause 49.

11. Miscellaneous:

11.1 This Policy shall be deemed to have come into force w.e.f. date of its adoption.

11.2 If any provision of this Policy contravenes any provision of the Act, and Clause 49, that provision of this Policy shall always be deemed to have been amended since inception in line with the applicable provisions of the Act, AS-18 and Clause 49.

The parties which are covered under the definition of Related Party in terms of the Accounting Standard — 18 issued by the Institute of Chartered Accountants of India but not covered under this Policy, transactions with such party(ies) shall be governed in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

AMENDMENTS

The Board may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendations of the Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of material subsidiary companies.

SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

DISSEMINATION OF POLICY

This policy shall be hosted on the intra-net and website of the Company and a web link thereto shall be provided in the annual report of the Company.

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